
Board Action Bulletin



Prepared by the Office of External Affairs

NCUA BOARD MEETING RESULTS FOR OCTOBER 21, 2004 INTERNATIONAL CREDIT UNION DAY

Final rule addresses leadership change in new or troubled credit unions

The NCUA Board amended §701.14 of the regulations, which describes the procedures that newly chartered or troubled federally insured credit unions must follow before adding or replacing board members or adding or changing duties of a senior executive officer. Adopted as proposed, the amendment eliminates confusion and clarifies the relationship between the prior notice provision and the commencement of service provision in the rule. The amendment also reorganizes the rule.

Amended §701.14 specifies that federally insured credit unions, covered by the rule, must provide at least a 30-day written notice before the effective date when adding or replacing a board member or committee member or when hiring or changing the duties and responsibilities of a senior executive officer. The regulation also describes procedures for filing a waiver request and discusses when an automatic waiver may be granted.

Member business loan rule revised

The NCUA Board adopted changes to Part 723, the member business loan rule (MBL), enabling credit unions subject to the rule to more fully participate in Small Business Administration (SBA) guaranteed loan programs.

Under the former MBL rule, the collateral and security requirements for MBLs were generally more restrictive than those of the SBA's guaranteed loan programs and could hamper a credit union's ability to participate fully in the SBA programs. The collateral and security requirements of the SBA's guaranteed loan programs often were not consistent with the former MBL rule and, therefore, could not be used. The MBL amendments remove this impediment by exempting SBA guaranteed loans from the MBL collateral and security requirements.

NCUA believes SBA guaranteed loan programs are ideally suited to the mission of many credit unions to satisfy their members' business loan needs.

Quarterly NCUSIF report

The National Credit Union Share Insurance Fund (NCUSIF) ended the third quarter, September 30, 2004, with the following results:

- \$92.8 million in gross income;
- \$60.2 million in operating expenses;
- \$9 million in insurance losses; and
- \$23.6 million in net income.

Through the first nine months of the year, 17 federally insured credit unions have failed costing the NCUSIF \$4.2 million. Based on an expected 6 percent increase in share deposits, the NCUSIF is projected to end the year with a 1.25 percent equity ratio.

The NCUSIF currently holds \$88.6 million in reserves -- \$26 million allocated for designated cases and \$62.6 in unallocated funds. The NCUSIF is considering a reduction in the reserve level based on a 2003 Government Accounting Office (GAO) Report recommendation that the agency reserve level be tied to a 2-year rather than the current 15-year historical loss performance calculation.

Board votes are unanimous unless indicated.